

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

|   |   |                |
|---|---|----------------|
| Central Illinois Light Company d/b/a    | ) |                |
| Ameren CILCO                            | ) |                |
|   | ) | 06-0070        |
| Central Illinois Public Service Company | ) | 06-0071        |
| d/b/a Ameren CIPS                       | ) | 06-0072        |
|   | ) | (Consolidated) |
| Illinois Power Company d/b/a Ameren IP  | ) |                |
|   | ) |                |
| Proposed general increase in rates for  | ) |                |
| delivery service.                       | ) |                |

**REPLY BRIEF ON REHEARING OF  
THE PEOPLE OF THE STATE OF ILLINOIS**

**The People of the State of Illinois**

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March 30, 2007

NOW COME the People of the State of Illinois (“the People”), by LISA MADIGAN, Attorney General of the State of Illinois, and pursuant to the Illinois Administrative Code Part 200.800, 83 Ill. Admin. Code 200.800, submit this Initial Brief on Rehearing in AmerenCILCO’s, AmerenCIPS’ and AmerenIP’s (“the Ameren Companies,” “the Companies” or “Ameren”) proposed general increase in rates for delivery service in the above-referenced dockets.

**I. Ameren has Failed to Meet Its Burden of Proof in this Case.**

Ameren fails to meet its statutorily-imposed burden of proof to demonstrate that its proposed rates, should the Commission allow recovery of Ameren’s Administrative and General (“A&G”) expense, would be just and reasonable. See People’s Initial Brief on Rehearing, at pp. 3-4; see also 220 ILCS 5/9-201(c). Ameren cites Mr. Adams’ benchmarking analysis as proof of the reasonableness of its A&G expenses without addressing any of the concerns raised by the People during their cross-examination of Mr. Adams. See Ameren Initial Brief on Rehearing, at pp. 40-42.

As pointed out in the People’s Initial Brief on Rehearing, Mr. Adams’ benchmarking analysis does not establish the reasonableness of Ameren’s A&G expenses. See People’s Initial Brief on Rehearing at pp. 5-6. If the benchmarking analysis establishes anything, it establishes only that the Ameren Illinois utilities are, on balance, below average performers in controlling A&G expense. See *id.*, at pp. 11-12.

- A. Mr. Adams’ failure to remove purchased power costs from his analysis of A&G as a percentage of total O&M renders the analysis meaningless.

Ameren’s comparison of the Ameren Illinois companies to the peer group companies based on A&G as a percentage of total O&M is of no probative value. See

id., at pp. 6-9. Mr. Adams eliminated fuel from the total O&M (the denominator in the calculation), but did not eliminate purchased power costs, although he acknowledged himself that to get a proper comparison, it was necessary to eliminate purchased power as well as fuel. See id., at p. 7. The elimination of fuel, but not purchased power, from the total O&M artificially increases the A&G as a percentage of O&M for the peer group companies in relation to the Ameren companies, and renders the comparison presented by Mr. Adams worthless. See id., at pp. 8-9.

- B. Mr. Adams' inclusion of vertically-integrated companies in his peer group analysis of A&G expense per customer distorts Ameren's otherwise poor performance.

Ameren's comparison based on A&G per customer proves, if anything, that the A&G incurred by the Ameren companies is excessive. When the peer group selected by Mr. Adams is modified to include only utilities that are truly comparable to Ameren, that is the "wires-only" utilities, the Ameren companies are, on balance, well below average. IP falls in the middle of wires utilities in terms of A&G per customer; CILCO and CIPS show the second and third highest A&G per customer of the wires utilities. See id., at pp. 11-12; see also AG Cross Ex. 7 (on Rehearing). If anything, this result confirms the reasonableness of the Commission's disallowance of excessive A&G expense incurred by the Ameren utilities due to lack of substantiation. See id.

## **II. Conclusion**

WHEREFORE, for the reasons contained herein, the Commission should affirm its ruling in the Final Order to disallow \$50.3 million in A&G costs due to Ameren's failure to substantiate these increases.

Respectfully Submitted,

The People of the State of Illinois

By LISA MADIGAN, Attorney General

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